

Budgeting and Forecasting

Term	Definition
Activity-Based Budgeting	A budgeting approach that allocates costs based on the activities required to achieve specific objectives.
Balanced Forecasting	A forecasting approach that considers multiple scenarios to create a balanced and realistic projection.
Balanced Scorecard	A performance management tool that includes financial and non-financial measures to track organizational strategy implementation.
Beyond Budgeting	A modern budgeting approach that promotes flexibility and adaptability, emphasizing people and processes over strict budgets.
Budget	A detailed financial plan that connects strategies to objectives, helping manage resources effectively.
Budget Committee	A group responsible for overseeing the preparation and approval of budgets.
Budget Manual	A document outlining procedures and responsibilities in the budgeting process.
Budgetary Control	The process of monitoring and controlling budgets to ensure organizational objectives are met.
Budgetary Slack	The intentional overestimation of expenses or underestimation of revenues in a budget to make targets easier to achieve.

Capital Budgets	Budgets that plan for significant capital investments, such as equipment or real estate acquisitions.
Capital Expenditure Budgets	Budgets focusing on large, one-time investments in assets like buildings or equipment.
Cash Budgets	Budgets estimating inflows and outflows of cash over a specified period to manage liquidity.
Cash Flow Forecast	A prediction of the inflows and outflows of cash over a specified period, used to manage liquidity.
Contingency Budgeting	A budgeting approach that sets aside funds for unexpected expenses or emergencies.
Cost Drivers	Factors that cause changes in the cost of an activity, product, or service.
Cost of Goods Sold Budget	A budget estimating the cost of goods sold, which includes materials, labor, and overhead.
Demand Forecasting	The process of estimating future customer demand for products or services based on historical data and market trends.
Economic Indicators	Statistics or measures that provide insights into the economic performance and trends of a country or region.
Financial Modeling	The process of creating a mathematical representation of a financial situation to aid in decision-making.
Financial Performance Measures	Metrics that measure success in achieving financial goals, like profitability, cost efficiency, and return on assets.
Flexible Budgeting	A budgeting method that adjusts according to changes in activity levels or other factors.
Forecasting	The process of predicting future financial outcomes based on historical data and assumptions.

Imposed Budgeting	A top-down approach to budgeting where senior management sets the budget without input from lower levels.
Incremental Budgeting	A simple budgeting method that uses the previous year's budget as a base, adjusting for inflation or other changes.
Kaplan and Norton	Creators of the Balanced Scorecard framework, emphasizing strategy-focused organizational performance.
Key Assumptions	The foundational premises or conditions that form the basis for a budget or forecast.
KPIs (Key Performance Indicators)	Quantifiable goals aligned with strategic priorities, used to measure organizational performance.
Management Barrier	The barrier where management spends inadequate time on strategy, often less than one hour per month.
Master Budget	A comprehensive financial plan integrating operating and financial budgets into a cohesive framework.
Mission and Vision	Statements that define the organization's purpose, direction, and strategic priorities.
Negotiated Budgeting	A collaborative budgeting process where both top management and operational staff contribute to budget creation.
Operating Budgets	Budgets related to daily operations, including revenues and expenses.
Participative Budgeting	A bottom-up budgeting approach involving active participation from employees at all levels in setting budget targets.
Performance-Based Budgeting	A budgeting technique that allocates resources based on the performance and outcomes achieved.
Production Budget	A budget estimating the quantity of products to be produced to meet sales demand and inventory needs.

Resource Barrier	The failure to align budgeting with strategic plans, leading to disjointed resource allocation.
Revenue Budget	A forecast of income from sales, usually the starting point for budget preparation.
Rolling Budget	A continuously updated budget that extends for a set period into the future, such as a year.
Scenario Forecasting	A method of forecasting that evaluates potential outcomes under different scenarios to prepare for uncertainty.
Scenario Planning	The process of developing and analyzing different financial scenarios to prepare for uncertainties.
Selling and Admin Expense Budget	A budget detailing expected selling and administrative costs, including salaries, rent, and marketing.
Sensitivity Analysis	A technique used to determine how changes in variables impact financial outcomes.
Static Budget	A budget that remains fixed, regardless of changes in activity levels or other variables.
Strategic Alignment	The process of ensuring that budgets, forecasts, and resources are aligned with the organization's strategic goals.
Strategic Budgeting	An approach to budgeting that aligns budget allocations with strategic goals and plans.
Strategic Planning	The process of defining long-term objectives and creating strategies to achieve them.
Target Setting	The process of establishing measurable and time-bound goals to align with strategy.
Time Series Analysis	A statistical technique for analyzing historical data to predict future trends.
Value Proposition Budgeting	A budgeting technique where each cost is justified based on the value it provides to stakeholders.

Variance Analysis	A technique for comparing actual financial performance against budgeted figures to identify variances and their causes.
Variance Reports	Reports that compare actual performance against budgeted figures to identify variances.
Zero-Based Budgeting	A method of budgeting where all expenses must be justified from scratch, rather than relying on prior budgets.